

# THE HILL

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## Drug industry does battle with an image problem

*Policy makers say drug makers must improve standing*

By [Bob Cusack](#)

Limousines would pull up at 15th and L Street, one after the other. While some on the street wondered what the occasion was, Washington insiders knew it was nothing unusual. The limos were filled with the CEOs of multi-billion dollar pharmaceutical companies and if they were in town, it meant the drug industry trade group was having its monthly board meeting.

Worried about its image (and that *The Washington Post* headquarters was nearby), drug executives in 1999 stopped arriving in limousines. Now they primarily use town cars.

But Washington policymakers believe the industry needs to do more than shun luxuries to enhance its image. At a time when Congress is working to expand Medicare to include a new drug benefit, many seniors believe drug companies are more interested in profits than on saving lives.

Drug industry officials believe they are being unfairly targeted by politicians and they are frustrated that they are under constant political attack.

A growing number of conservatives, ranging from Rep. Dan Burton (R-Ind.) to Rep. Walter Jones (R-N.C.), have criticized the lobbying tactics employed by the drug industry's trade association, the Pharmaceutical Research and Manufacturers of America (PhRMA).

PhRMA is regarded as one of the most influential lobbying forces in Washington, having spent almost \$20 million last year to influence policy. But PhRMA has lost some friends recently, for example when it used a religious group in an effort to thwart drug reimportation legislation. The reimportation measure passed easily, and Jones said PhRMA's lobbying strategy caused more than 50 legislators to support the legislation.

Days after the reimportation vote, Alan Murray of *The Wall Street Journal* said the industry would likely "face ruinous price controls" unless PhRMA changed.

PhRMA spokesman Jeff Trehwhitt said politics are to blame for the deluge of criticism.

"Some politicians find it convenient in pursuit of their political agenda to use the drug industry as a punching bag," he said. It is frustrating that some lawmakers who rely on the industry's innovative products spread "distorted allegations" about manufacturers, he added.

Some Washington insiders believe government controls on drug pricing may be inevitable. One observer said PhRMA is relying too much on one powerful ally, House Majority Leader Tom DeLay (R-Texas).



THOMAS BUTLER

House Majority Leader Tom DeLay (R-Texas) "won't be around forever."

"The problem for PhRMA is that DeLay won't be around forever and Republicans won't be in control of Congress forever," the source said.

Last year, PhRMA President and CEO Alan Holmer knew he needed help reshaping the group's image. He hired Mark Merritt, the highly-regarded GOP consultant who had worked on Sen. Lamar Alexander's (R-Tenn.) presidential campaign and reworked the image of health plans as a strategist for the American Association of Health Plans (AAHP). He was also credited with helping defeat patients' bill of rights legislation that HMO officials said would decimate their industry.

Merritt refused to comment, but people familiar with his tenure describe a battle with top PhRMA officials behind the scenes.

Merritt had been promised the power to make significant changes to the trade group.

He brought in a crew to help him, including Dan McLagan, who worked on Sen. John McCain's (R-Ariz.) 2000 presidential campaign as well as Alexander's 1996 White House bid.

Merritt also recruited Michael Tuffin and John Murray, who he had worked with on the Alexander campaign.

Tuffin, McLagan and Murray declined to comment. At least two of them have agreements with PhRMA not to disclose what happened during their five-month stay.

When they arrived at PhRMA in the fall of last year, Merritt's team had big plans.

They wanted to make the group more accessible, with executives meeting regularly with reporters.

The image consultants also wanted to complement the industry's "fluffy ads with people in lab coats" with an aggressive campaign to take on their critics directly, one source said.

Merritt wanted to highlight that the industry improves people's quality of life.

"For all of the industry's faults — and they do have faults — they do amazing things," the source said.

Another idea was for PhRMA to stop using consumer "front groups" like the United Seniors Association, which says it represents consumers while accepting large grants from the drug industry.

"Everyone in Washington knows who they represent," a healthcare official said.

PhRMA board members generally supported Merritt's ideas and "were tired of being portrayed as the bad guys," the source said, adding that "the industry shouldn't act as if it is ashamed of who it is."

After getting initial cooperation from PhRMA, Merritt and his crew found that by early 2003 they were being "stonewalled," one source said.

PhRMA lobbyists, led by former House Commerce Committee counsel Rodger Currie, opposed Merritt and the two clashed. Holmer deferred to Currie, frustrating Merritt's team.

"The lobbyists run PhRMA," a former PhRMA official said.

Months later, Merritt was offered the top job at the Pharmaceutical Care Management Association (PCMA) and quickly accepted. Everyone Merritt recruited to join him at PhRMA quit when he accepted PCMA's offer in March.

Some say that no matter what Merritt would have done, it would not have helped the industry's number one problem: the cost of drugs.

Rep. Rush Holt (D-N.J.), whose district includes drug companies, said seniors' wrath on drug prices has led some to concoct "bogus conspiracy theories" about the industry. But, Holt added, "People feel they are being held hostage."

Holt credited PhRMA for improving its image over the last several years. The lawmaker said the group is less partisan than it used to be, but added that it still needs to continue to work on its reputation.

Earlier this year, some congressional Democrats and drug company executives met to see if they could find a way to work more together. But most believe the chances of any alliance between Democrats and the industry are remote.

“Democrats instinctively mistrust you,” a drug industry source said.

Former House Speaker Newt Gingrich (R-Ga.) last month criticized pharmaceutical companies for defending their “artificially high” prices.

“Look,” Gingrich told The Hill, “nobody complains that Tiffany’s is too expensive because [their products] are a luxury. Drugs are not a luxury.”

PhRMA’s Trewitt said the trade group is currently focused on the Medicare reform debate. But he promised that PhRMA “will respond” to its critics in the near future.

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